

DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 5.2

1. The Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
2. The Audit Committee is also required to consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the AGS.

Background

3. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This framework was updated following a period of consultation with the financial year 2016/17 representing its first year of application. The Accounts and Audit (Wales) Regulations 2014 requires Authorities to carry out an annual review of the effectiveness of the system of internal control, and this is represented in the AGS.
4. The Council uses the above governance framework to identify evidence against each of the 2 core and 5 supporting principles outlined below:

Core principles

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5. Good governance creates an environment for effective management, performance, stewardship, public engagement and ultimately, outcomes for citizens and service users. Sound governance enables the Council to pursue its vision with effective mechanisms for control and the management of risk.
6. The AGS summarises how the Council makes an assessment against the governance framework through three key elements:
 - Statements from Senior Management, the Audit Manager and the Audit Committee;
 - Supporting information and evidence mapped to the core and supporting good governance principles;
 - A Senior Management review of the Council's significant governance issues.
7. The AGS is presented to Audit Committee prior to year-end, and therefore contains a number of gaps, as much of the final drafting takes place after the financial year end.

Issues

8. The opinion of the Audit Committee from section 8 of its Annual Report will be included in the AGS, together with statements from Senior Management and the Audit Manager on the system of internal control at the year-end position.
9. The Senior Management statement will reflect and summarise a Senior Management Assurance Statement (SMAS) assessment and a summary of significant governance issues. The full disclosure of significant governance issues will also be included in the AGS.

Senior Management Assurance Statements

10. Biannual Senior Management Assurance Statement (SMAS) responses from the Chief Executive and each Director represent a self-assessment of how effectively they have discharged their roles in line with good governance principles. The responses are then collectively discussed and actions agreed in a Senior Management Team (SMT) meeting.
11. In November 2016, Audit Committee received a summary of the mid-year Senior Management Assurance Statement (SMAS) responses. Audit Committee commented that a significant number of responses reflected a disclosure of 'fully in place' across many areas. It was agreed that officers would review the process in order to provide a clearer picture of the extent of good governance in place.
12. The SMAS pro forma has subsequently been reviewed, through which it was felt that there was an opportunity to:
 - provide clear guidance to SMT on how an assessment must be made, which requires evidence from the full directorate management team;
 - enhance the rating system from a 3-point system to a 5-point system ranging from not in place, limited application, mixed application, strong application to embedded.
13. This more challenging and evidence-based process has been agreed with SMT for the year-end position, which will demonstrate more clearly the different levels of achievement across directorates. The rating system is aligned to the audit committee self-assessment scales in order to assist comparability between assessments.

14. Audit Committee will receive the analysis of SMAS responses in June 2017.

AGS Action Plan

15. An AGS action plan of significant governance issues is owned and maintained by the Senior Management Team (SMT). It represents the most significant governance issues which require monitoring, reporting and management at the senior level, when reflecting on the results of the SMAS and the Corporate Risk Register.
16. On a biannual basis the Chief Executive and all Directors each review the action plan of significant governance issues. They then meet collectively to discuss and agree the progress made against the action plan, any changes to its composition, and actions required.
17. Audit Committee received the mid-year Action Plan from the SMT in January 2017 and the year-end Action Plan will be reported to Audit Committee in June 2017.

Legal Implications

18. There are no legal implications arising directly from the contents of this report.

Financial Implications

19. There are no direct financial implications arising from this report.

Recommendation

20. Audit Committee to consider:
- the Council's corporate governance arrangements against the good governance framework.
 - whether the content of the draft Annual Governance Statement 2016/17 properly reflects the risk environment and supporting assurances.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

Appendix A - Draft Annual Governance Statement 2016/17